

## **10 Common Misconceptions About Pension Plans**

Rise in frozen pension, failures in work pension schemes, low interest rates, and the pressure of day-to-day living in austere times have all been blamed for the lack of interest in company **pension plans**. But many people's decisions to snub the pension pot are based on misconceptions about both **pension plans** and about the post-work economic landscape that British people can expect when they reach retirement age.

Grow in frozen pension, low interest rates, failures in work pension schemes and also the pressure of day-after-day living in austere times have all been blessed for the dearth of interest in company pension plans. however several people's selections to snub the pension pot supported misconceptions regarding each pension plans and regarding the post-work economic landscape that Brits will expect after they reach retirement age.

Below are ten of the most stubborn of those misconceptions:

### **1. My children will look after me**

If the current economic climate is any indication, our children are going to be faced with as much, if not more, financial pressure than our generation as they seek to make their own way in life. Retired people who have failed to make provision for their post-work lives risk becoming a burden to their children. By remaining financially independent, retired people can enjoy their time with their children without the worry of guilt and resentment.

### **2. I can't afford to pay into pension funds: I can barely afford the mortgage**

Small contributions will gradually accumulate and any contribution is better than none, even if it is only a pound or two a week. If you really are that hard up, there is sure to be something in your life you can give up to enable you to pay in: a chocolate bar; a bag of crisps or a coffee, perhaps.

### **3. Pension Plans are risky – if not downright scams. My boss will dip into the pension funds**

Your employer will have no access to employees' **pension funds**. **Pension plans** are overseen by Plan Trustees who are legally accountable to you. As for risk, there are different levels of risk you can choose between. Even if there is a small drop in the value of your pot, employers' and government contributions will usually make up for it.

### **4. I'll focus on being successful – or winning the lottery**

Being driven to succeed is obviously a good thing, but a back-up plan is always sensible just in case fame and riches evade you. The National Association of **Pension Funds** claims that over three million people are banking on the National Lottery to fund their retirement. That would require at least five balls and the bonus at odds of over 2 million to one!

### **5. I'll wait until later; there's no reason to start saving this early**

One compelling reason to start as early as possible is the free money employees get from government and employer contributions to pension funds – almost like a pay rise! Another is the value of compounding interest which means the earlier you start contributing to pension plans the further your money goes.

### **6. I'm thinking of changing my job and don't want to be stuck with lots of pension plans**

Although it can be beneficial to have lots of different pension funds, you don't have to keep them all. It is perfectly possible to transfer your pension pot from one scheme to another.

### **7. There's enough equity in my house to fund my retirement**

The property market is inherently unstable, and house prices can fall sharply leaving your retirement income compromised. Have you considered what you would do if you couldn't sell your house at all? Then there's tax and the need to fund alternative accommodation.

#### **8. There's no point in a pension; I won't be around long to need it**

With life expectancy having reached 86 for men and 89 for women, there is a good chance that a large number of retired people will be relying on a pension for twenty years or more.

#### **9. I'll be happy enough with the new state pension**

The actual payout to be expected from the new state pension will not be decided until Autumn 2015, but the full amount should be around £150 a week. What you are actually given may be less if you have had any breaks in your National Insurance Contributions.

#### **10. I don't want an 'income for life'**

Gone are the days when your pension could only be converted into an 'income for life' by making a one-time transaction with an insurance company for an annuity. Due to recent changes in the rules, you can spend your retirement money as you see fit.